

SECURIT



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## OMB APPROVAL

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FORM X-17A-5  
PART III**

SEC FILE NUMBER

8- 53731

**FACING PAGE****Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING January 1, 2008 ENDING December 31, 2008**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Laidlaw & Company (UK) Ltd.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

90 Park Avenue

(No. and Street)

New YorkNY10016

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Oseas Zuluaga212-697-5200

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Lilling & Company

(Name - if individual, state last, first, middle name)

10 Cuttler Mill RoadGreat NeckNY11021

(Address)

(City)

(State)

(Zip Code)

CHECK ONE

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the exemption. See section 240.17a-5(e)(2).

AD  
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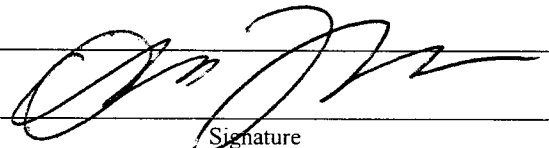
## OATH OR AFFIRMATION

**OSEAS ZULVAGA**

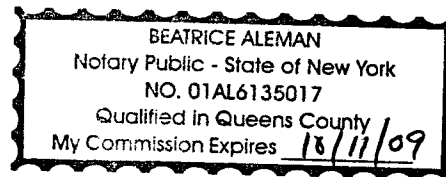
I, ~~Robert Bonaventura~~, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

Laidlaw & Company (UK) Ltd., as of

December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature  
EXECUTIVE VP FINANCE  
Title

  
Notary Public



This Report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss)
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of Consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) A report on internal control.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# Lilling & Company LLP

Certified Public Accountants

## *INDEPENDENT AUDITOR'S REPORT*

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Board of Directors and Stockholders  
Laidlaw & Company (UK) Ltd.  
New York, New York

We have audited the accompanying statement of financial condition of Laidlaw & Company (UK) Ltd. as of December 31, 2008, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. According, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laidlaw & Company (UK) Ltd. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. This schedule is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**CERTIFIED PUBLIC ACCOUNTANTS**

*Great Neck, New York*

*February 17, 2009*

**LAIDLAW & COMPANY (UK) LTD.**

**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2008**

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**ASSETS**

Cash	\$ 1,171,297
Due from broker	1,332,952
Furniture and equipment, net of accumulated depreciation	416,762
Securities owned	44,830
Other assets	666,815
	<hr/>
	\$ 3,632,656

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable and accrued expenses	\$ 1,150,660
Note payable	200,000
	<hr/>
	1,350,660

**Stockholder's equity**

Common stock, \$1.64 par value; 687,241 ordinary shares authorized and outstanding	999,455
Paid-in Capital	1,449,776
Retained earnings	(167,235)
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	2,281,996
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	\$ 3,632,656

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*See notes to financial statements*

**LAIDLAW & COMPANY (UK) LTD.**

**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2008**

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**REVENUES**

Commissions	\$ 17,401,146
Investment banking and fee income	3,761,971
Other income	1,046,119
	<u>22,209,236</u>

**EXPENSES**

Commissions and clearing charges	12,420,077
Salaries and payroll costs	4,511,269
Occupancy costs	1,197,868
Operating expenses	4,243,518
	<u>22,372,732</u>

<b>LOSS BEFORE INCOME TAXES</b>	(163,496)
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<b>INCOME TAXES</b>	<u>20,054</u>
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<b>NET LOSS</b>	<u><u>\$ (183,550)</u></u>
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*See notes to financial statements*

**LAIDLAW & COMPANY (UK) LTD.****STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2008**

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***Cash flows from operating activities***

Net loss	\$ (183,550)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	142,370
Amortization of forgivable loan	(400,000)
(Increase) decrease in assets:	
Due from broker	232,166
Securities owned	9,139
Other assets	(319,259)
Increase (decrease) in liabilities:	
Accrued expenses and accounts payable	17,274
Income taxes payable	(3,537)
Total adjustments	(321,847)

***Net cash used in operating activities*** (505,397)

***Cash flows from investing activities***

Proceeds from note payable	400,000
Cash payments for the purchase of furniture and equipment	(98,844)

***Net cash provided by investing activities*** 301,156

***Cash flows from financing activities***

Capital contribution	499,776
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***Net cash provided by financing activities*** 499,776

<b>NET CHANGE IN CASH</b>	295,535
<b>CASH - BEGINNING</b>	875,762
<b>CASH - END</b>	<u><u>\$ 1,171,297</u></u>

Supplemental disclosures of cash flow information:  
Cash paid during the year for:

Interest expense	\$ -
Income taxes	<u><u>\$ 20,054</u></u>

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*See notes to financial statements*

**LAIDLAW & COMPANY (UK) LTD.**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2008**

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	<i><u>COMMON STOCK</u></i>	<i><u>PAID-IN CAPITAL</u></i>	<i><u>RETAINED EARNINGS (DEFICIT)</u></i>	<i><u>TOTAL</u></i>
<i><b>Balance - beginning</b></i>	\$ 999,455	\$ 950,000	\$ 16,315	\$ 1,965,770
<i>Capital addition</i>	-	499,776	-	499,776
<i>Net loss</i>	-	-	(183,550)	(183,550)
	<hr/>	<hr/>	<hr/>	<hr/>
<i><b>Balance - end</b></i>	<u>\$ 999,455</u>	<u>\$ 1,449,776</u>	<u>\$ (167,235)</u>	<u>\$ 2,281,996</u>

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*See notes to financial statements*

# **LIDLAW & COMPANY (UK) LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

Laidlaw & Company (UK) Ltd. (the "Company") is organized to be active in various aspects of the securities industry. The Company is incorporated in the United Kingdom as a Private Limited company. The Company has offices in London, United Kingdom, New York, Texas, Florida and California and its customers are located throughout the United States and the United Kingdom. The Company is a non-clearing broker and does not handle any customer funds or securities. There were no liabilities subordinated to claims of general creditors during the year ended December 31, 2008.

#### **Investment Banking**

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-acquisition and financial restructuring advisory services. Investment banking fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable

#### **Securities Transactions and Commissions**

Securities transactions are recorded on a trade date basis. Commissions and related clearing expenses are recorded on a trade date basis as securities transactions occur. Securities owned are recorded at current market value.

#### **Income taxes**

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires the Company to recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. There are no material differences between currently payable income taxes and deferred income taxes. The Company is subject to income taxes in the United Kingdom and in the United States.



# **LIDLAW & COMPANY (UK) LTD.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008**

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### **Furniture and equipment**

Furniture and equipment are recorded at cost and depreciated on the straight-line basis over the life of the related asset.

### **Foreign Currency Translations**

Assets and liabilities denominated in foreign currencies (British Pounds Sterling) are translated at year-end rates of exchange, while the income statement accounts are translated at the average rate of exchange for the year.

### **Significant Credit Risk**

The responsibility for processing customer activity rests with the Company's clearing firm, Sterne, Agee & Leach, Inc. ("Sterne, Agee"), located in Birmingham, Alabama. The Company's clearing and execution agreement provides that Sterne, Agee's credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

In accordance with industry practice, Sterne, Agee records customer transactions on a settlement date basis, which is generally three business days after the trade date. Sterne, Agee is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case Sterne, Agee may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by Sterne, Agee is charged back to the Company.

The Company, in conjunction with Sterne, Agee, controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. Sterne, Agee establishes margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and amounts due from broker dealers. The Company maintains cash and money market balances with commercial banks and other major institutions. At times, such amounts exceeded Federal Deposit Insurance Corporation limits.

# **LAIDLAW & COMPANY (UK) LTD.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008**

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### **Estimates**

Management of the Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates management uses.

### **2. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Property, equipment and leasehold improvements consists of the following:

Leasehold improvements	\$ 506,148
Computer equipment	160,774
Furniture and fixtures	<u>103,895</u>
	770,817
Accumulated depreciation and amortization	<u>354,055</u>
	<u>\$ 416,762</u>

Depreciation and amortization expense was \$142,370 for the year ended December 31, 2008.

### **3. NOTE PAYABLE**

During the year the Company completed its obligation to Sterne, Agee on funds borrowed in 2007 and borrowed an additional \$400,000 from Sterne, Agee in 2008. Sterne, Agee will forgive the loan over a twelve month period in 12 equal installments up to the anniversary date of August 1, 2008.

### **4. INCOME TAXES**

The Company has net operating losses for tax purposes of approximately \$157,000 that expire by 2028 available to offset future taxable income.

Based on the Company's earnings and the amount of income that could be utilized in carry back years, and the uncertainty of future taxable income, it is not possible to determine whether deferred tax assets arising from these losses will be realized. Accordingly, a 100% valuation allowance has been established to reduce deferred tax assets to zero.

# **LAIDLAW & COMPANY (UK) LTD.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008**

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Income tax expense consists of U.S. income taxes as follows:

Federal	\$ 7,277
State and local	<u>12,777</u>
	<u>\$20,054</u>

### **5. FOREIGN CURRENCY TRANSLATIONS**

The Company's operation in London, United Kingdom gave rise to direct revenue of approximately \$1,000 and direct expense of approximately \$383,000, resulting in a net loss of approximately \$382,000. The Company has assets of approximately \$13,000 that are subject to foreign currency fluctuations.

Losses resulting from foreign currency transactions of approximately \$89,000 are included in other income.

### **6. RETIREMENT PLAN**

The Company sponsors a salary reduction (Section 401(k)) retirement plan for its employees in the United States. Employees may contribute a percentage of their pre-tax salary up to amounts specified in the plan agreement with optional matching contributions from the Company. There were no Company contributions to the plan during the year ended December 31, 2008.

### **7. COMMITMENTS AND CONTINGENCIES**

#### **Leases**

The Company leases office space and certain equipment under various operating leases. Rent expense for the year ended December 31, 2008 was approximately \$1,198,000. Minimum future rental payments are as follows:

<u>Years Ended December 31,</u>	
2009	\$1,114,000
2010	972,000
2011	977,000
2012	521,000
2013	<u>24,000</u>
	<u>\$3,608,000</u>

**Litigation**

The Company has been named as a defendant in a number of actions relating to its activities as a broker-dealer including civil actions and arbitration. From time to time, the Company is also involved in proceedings and investigations by self-regulatory organizations. Although the ultimate outcome of these matters involving the Company cannot be predicted with certainty, management believes it has meritorious defenses to all such actions and intends to defend each of these actions vigorously. Although there can be no assurances that such matters will not have a material adverse effect on the results of operations or financial condition of the Company in any future period, depending in part on the results for such period, in the opinion of management of the Company the ultimate resolution of such actions against the Company will have no material adverse effect on the Company's financial condition.

**8. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3**

The Company is exempt for the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(i). As an introducing broker, the Company clears customer transactions on a fully disclosed basis with Sterne, Agee and promptly transmits all customer funds and securities to Sterne, Agee. Sterne, Agee carries all of the accounts of such customers and maintains and preserves such books and records.

**9. NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2008, the Company had net capital of \$1,191,317 which was \$1,101,268 in excess of its required net capital of \$90,049. The Company had a percentage of aggregate indebtedness to net capital of 113% as of December 31, 2008.

The Company is also subject to The Securities and Futures Authority ("FSA") Financial Resources Requirement in the United Kingdom.

***SUPPLEMENTAL INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934***

***AS OF DECEMBER 31, 2008***

**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2008**

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**NET CAPITAL**

Stockholder's equity	\$ 2,281,996
Deductions and/or charges:	
Non-allowable assets	<u>1,083,577</u>
Net capital before undue concentration and haircuts o securities positions	1,198,419
Haircuts	<u>7,102</u>

<b>NET CAPITAL</b>	<b>\$ 1,191,317</b>
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<b>AGGREGATE INDEBTEDNESS</b>	<b>\$ 1,350,660</b>
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<b>MINIMUM NET CAPITAL REQUIRED (6 2/3 % OF AGGREGATE INDEBTEDNESS)</b>	<b>\$ 90,049</b>
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<b>MINIMUM NET CAPITAL REQUIRED</b>	<b>\$ 5,000</b>
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<b>EXCESS OF NET CAPTIAL OVER MINIMUM REQUIREMENTS</b>	<b>\$ 1,101,268</b>
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<b>PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPTIAL</b>	<b>113%</b>
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**Statement Pursuant to Paragraph (d) (4) of Rule 17a-5**

There were no material differences between the computation of net capital above and the Company's computation included in Part II of Form X-17A-5, as of December 31, 2008.

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*See independent auditors' report*

# Lilling & Company LLP

Certified Public Accountants

***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 (g)(1) FOR A BROKER- DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3***

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Board of Directors and Stockholders  
Laidlaw & Company (UK) Ltd.  
New York, New York

In planning and performing our audit of the financial statements of Laidlaw & Company (UK) Ltd. (the Company), as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatements of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, FINRA, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



**CERTIFIED PUBLIC ACCOUNTANTS**  
Great Neck, New York

**February 17, 2009**